



Department of Environmental Protection Office of Inspector General

September 4, 2025

Report A-2425DEP-012

Audit of Agreement CA-0715 with Lighthouse Café Inc. Concessionaire at Bill Baggs Cape Florida State Park

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Agreement CA-0715 (Agreement) with Lighthouse Café Inc. (Concessionaire) at Bill Baggs Cape Florida State Park (Park). This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2024-2025.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of the audit included a review of Concessionaire activities and financial records during the term of the Agreement, beginning January 1, 2023, to present.

The objectives of the audit were to:

1. Determine the accuracy of reported gross sales.
2. Determine whether the Concessionaire is operating in compliance with the Agreement.
3. Evaluate Park Management oversight of the Concessionaire's activities and performance.

To achieve our audit objectives, our methodology included:

- Reviewing applicable statutes, regulations, and internal operating procedures.
- Conducting analyses of Concessionaire and Division records to include Concessionaire activities and financial documents.
- Interviewing the Concessionaire, Park Manager, and Division staff.

BACKGROUND

The Division of Recreation and Parks (Division) manages 175 state parks through its Florida Park Service. The Division may provide visitor services in the parks through concessionaires, pursuant to Section 258.007(3)(a), Florida Statutes (F.S.). All visitor services delivered by a concessionaire in a Florida State Park require an agreement.

The Agreement was executed between the Department and the Concessionaire on September 18, 2015, and ending September 30, 2025. As part of the Agreement, the Concessionaire is authorized to conduct, and agrees to operate the following business and to provide the following services, subject to all terms, conditions and provisions of the Agreement:

- Food and Beverage Service

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- Merchandise Resale
- Recreational Equipment Rentals
- Event Management Services
- Wi-Fi Services

The Agreement requires the Concessionaire to provide compensation to the Department in the form of a commission fee of 13% of the Total Gross Sales for all its operations on behalf of the Park, but not less than \$325,000 annually. The Concessionaire paid \$913,346.59 in total monthly commission fees for Calendar Year (CY) 2023, and \$899,611.14 for CY 2024.

RESULTS OF AUDIT

During the audit, we reviewed documentation provided by the Concessionaire and the Division to determine compliance with the Agreement. We reviewed all sources of revenue of the Concessionaire, which included 3 restaurants, a gift shop, and special events. The Concessionaire also subcontracts some services for ice cream as well as bike, boat, paddle board, and beach chair rentals. The Concessionaire maintains 4 bank accounts for the oversight of these services. Based on our review, we found the following:

Accuracy of Reported Gross Sales

The Agreement defines Total Gross Sales as *all sales of goods, merchandise, food, vending and services generated as a result of the Concessionaire's operations at or associated with the Park*. The Agreement requires that the calculation of Total Gross Sales shall not include tax collections, gratuities, pass through fees including admission fees collected by the Concessionaire on behalf of the Department, event fees collected by the Concessionaire on behalf of the Department, or funds that were collected but have been refunded to the customer.

To determine the accuracy of reported gross sales, we compared the Monthly Reports, General Ledger, and the Department of Revenue's Sales Tax Reports (DR-15 Reports). The chart below outlines the total amounts reported for 2023.

2023 DR-15	2023 Monthly Report	2023 General Ledger
\$6,978,818.16	\$7,025,743.03	\$8,068,335.97

Based on our review, the sales reported on the Monthly Reports and the DR-15 Reports were generally consistent. According to the Concessionaire, some deviations noted between the two reports occurred due to input errors or the inclusion of taxes collected when they should have been excluded. However, we found total sales recorded in the General Ledger were over \$1 million more than the amount reported to the Department. Based on documentation from the Concessionaire, the sales recorded in the General Ledger included tips and gratuities which are not included in the DR-15 and Monthly Reports.

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Review of Source Documents for March 2023 and September 2023

The Agreement requires the Concessionaire to maintain source documents with daily entries to account for gross sales. We reviewed source documents for the sample months of March 2023 and September 2023 to determine if gross sales are accurately recorded and reported to the Department. Based on our review, the Concessionaire maintained source documents which generally supported the daily amounts recorded in the sales journals used for reporting in the Monthly Reports. However, we noted additional bank deposits made to the Concessionaire's bank accounts which were not included in the source documents or sales journals. A summary of these deposits is below.

Date Deposited	Additional Amount Deposited
3/2/2023	\$6,417.44
3/2/2023	\$408.25
3/7/2023	\$2,000.00
3/16/2023	\$295.48
3/27/2023	\$990.91
9/27/2023	\$7,451.07
9/12/2023	\$234.01

During the site visit, we discussed the bank deposit for \$7,451.07 and was advised it was funds for a wedding deposit which are not reported until the event is held. As a supporting document, we were provided an invoice for the wedding event in the amount of \$30,850.04 but it did not show a separation of deposit amounts or when the deposit funds were received. It should be noted there were no special event sales reported to the Department for the months reviewed. The Agreement requires the Concessionaire to adequately report and maintain records by event date. However, the records shall document any deposits, booking fees, fees charged for organizing the event, fees in arrears, and late fees. The Concessionaire provided contracts, permits, and invoices for many events. However, there were no documents provided for events that supported when event deposits or any other payments were received by the Concessionaire prior to the event taking place. Based on our review, we were unable to reconcile whether funds received and deposited during the sample months were for events or if they were accounted for and accurately reported to the Department.

Agreement Compliance

Based on our review, the Concessionaire has generally maintained compliance with many areas of the Agreement. However, we noted some requirements which were not met or could use improvement. Our review of these requirements is below.

Monthly Reports

The Agreement requires the Concessionaire to submit a Monthly Report of Concessionaire's Total Gross Sales (Monthly Report) and the Monthly Profit and Loss Statement to the Department no later than the 10th day of the succeeding month in which the gross sales were collected by the Concessionaire. We found the Concessionaire provided all Monthly Reports for the duration of the audit scope. Based on the review, all Monthly Reports were provided during the audit scope. However, we were unable to locate 10 Monthly Profit and Loss Statements within the Department's records.

Commission Payments

As part of the Agreement, the Concessionaire shall provide compensation in the form of a commission fee of 13% of the Total Gross Sales for all its operations on behalf of the Park, but not less than \$325,000 annually. As part of our review, we verified the required compensation fee requirements were met and paid as required.

Annual Profit and Loss Statement

According to the Agreement, the Concessionaire is required to provide an Annual Profit and Loss Statement to the Department no later than April 30th of the succeeding calendar year and the Park Business Development Specialist will review the Profit and Loss Statement for accuracy. Our review found the Concessionaire submitted the document for 2023 and 2024 as required. However, the gross sales reported within the Annual Profit and Loss Statement did not match when compared to the gross sales reported in the Monthly Reports for each calendar year. According to the Concessionaire, the gross sales reported in the Annual Profit and Loss Statements were based on the General Ledger amounts that included tips and gratuities where the Monthly Report gross sales did not. During the review, the Concessionaire provided updated Annual Profit and Loss Statements to account for Total Gross Sales in accordance with Agreement requirements.

Limited Engagement Document

The Agreement requires the Concessionaire to obtain and submit a limited engagement document which shall be submitted no later than June 30th of the following calendar year. Our review found the Concessionaire submitted the limited engagement document for 2023 and 2024 as required.

Purchasing Card Industry (PCI) Requirements

According to the Agreement, the Concessionaire shall submit an updated Self-Assessment Questionnaire annually through the expiration or termination of the Agreement. Our review found the Concessionaire has provided the Department with a Payment Card Industry Self-Assessment Questionnaire and Attestation for each calendar year under the audit scope.

E-Verify Employment Verification

The Agreement states, *The Concessionaire shall use the U.S. Department of Homeland Security's E-Verify Employment Eligibility Verification system to verify the employment eligibility of: a. All persons employed by the Concessionaire, during the term of this Agreement, to perform employment duties within Florida; and, b. All persons (including subcontractors) assigned by the Concessionaire to perform work pursuant to this Agreement.* We requested E-Verify employment eligibility verification for all employees including employees from subcontracted agreements from the Concessionaire. Upon reviewing the E-Verify case results for the Concessionaire's employees, we noted all E-Verify cases were created after our request for the records. Based on the review, the Concessionaire has not been using the E-Verify system to confirm employment eligibility as required by the Agreement. However, during the audit, the Concessionaire completed the E-Verify processes for their employees and subcontractors.

According to the Park Operations Manual (OM), *The [Park Manager] will review the E-Verify checks and verify that they are accurate and completed for all employees of the*

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concessionaire prior to their start date. During the review, it was noted that the Concessionaire had not been completing the E-Verify checks prior to employee start date at the Park but completed the processes during the audit. When we asked the Park Manager about their oversight of the Concessionaire's E-Verify checks, the Park Manager stated he has never completed this type of oversight and was unaware this was a requirement.

Sexual Offender Search

The Agreement states, *The Concessionaire will not employ within the Park any person who is listed on either the sexual predator or sexual offender list maintained by the Florida Department of Law Enforcement ("FDLE") or maintained by the U.S. Department of Justice's Dru Sjodin National Sex Offender Public Website ("NSOPW")...The Concessionaire will conduct a sexual predator and sexual offender investigation on all employees and subcontractors hired subsequent to execution of this Agreement. The Concessionaire will keep a copy of its investigation records in the Concessionaire's personnel files and have those files available to the Department during the Concessionaire's regular office hours.* During our review, we requested sexual predator and offender searches for all employees including employees from subcontracted agreements. We were provided the FDLE offender searches for the employees and subcontractors identified by the Concessionaire. However, we were not provided any NSOPW searches for employees or subcontractors.

Security

The Agreement required the Concessionaire to post with the Department, a security in the amount of \$155,000 to assure compliance with this Agreement and serve as liquidated damages in the event the Concessionaire defaults on the Agreement. Based on the review, a security in the amount of \$40,000 was filed with the Department who was included as the Beneficiary. During the audit, the Concessionaire provided additional certificate of deposit account documents in the amount of \$32,015.45, \$21,337.72, and \$102,901.88 that included accrued interest. According to the Agreement, the Concessionaire may establish a deposit account that is administered by the Department, but no interest shall be payable on deposited funds. Our review found these accounts were not filed with the Department as a security and included interest paid on deposited funds.

The Agreement requires the amount of the Security to be re-assessed by the Park Manager on an annual basis, as the total gross sales are submitted by the Concessionaire in the Concessionaire's Annual Profit and Loss Statement, and, upon any renewal, extension, modification, or amendment to this Agreement. The OM adds that the security is typically calculated as 4% of the Concessionaire's annual gross sales. Based on our review, the Concessionaire's annual gross sales have reportedly increased each calendar year, but the security has not been increased to assure compliance with the Agreement.

Events

The Agreement states the Concessionaire shall *Obtain pre-approval, in writing, by the Park Manager for the type of Event, location, date, time and duration for all Events.* The Concessionaire provided documentation for 26 events held during the audit. Based on

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our review there were 8 events which did not include written pre-approval by the Park Manager.

According to the Agreement, *The Concessionaire shall provide the Park Manager copies of all contracts which document, monthly, each Event contract booked and organized in the Park by the Concessionaire. The copies shall be submitted with the Monthly Report of Gross Sales, and shall support the subcontract and contract revenue reported on the Monthly Report of Gross Sales.* We reviewed the Monthly Reports for event contracts but there were no event contracts included with the Monthly Reports which supported sales for events. We also requested event contracts from the Park Manager and the Concessionaire. The Park Manager and Concessionaire were unable to provide copies for some of the contracts.

According to the Agreement, *The Concessionaire shall collect a wedding/special event fee according to a fee schedule as determined by the Department. The Concessionaire shall collect and pass through the applicable wedding/special event fee directly to the Park for deposit.* The Park provided their event permit which includes the fee schedule for after-hours event for \$500. We reviewed the Concessionaire's event permits which included 21 after-hour events. Based on a review of the documents, the Concessionaire charges event fees between \$500 and \$6,000 but only for the Concessionaire's collection and not as a pass-through fee directly to the Park for deposit. This was further confirmed by the Park Manager. According to the Concessionaire and some event documentation, the event fee was *Paid via Monthly Report*. However, no additional payments for event fees were noted on this report and the Agreement states that *Total Gross Sales shall not include... events fees collected by the Concessionaire on behalf of the Department*. Our review found, the Concessionaire is not collecting, passing through, nor accounting for event fees in accordance with the Agreement.

Recreational Rentals

According to the Agreement, *the Concessionaire shall provide an employee to work at each recreational equipment rental operation until all visitors have returned from their excursions or have been accounted for.* During our site visit, most recreational points of sale were staffed while in use. However, the paddle board rentals were based on the usage of an app, and though no recreational items were in use, it does not appear it is staffed by an employee at any time.

Merchandise Resale

The Agreement states *the Concessionaire shall provide the following items for resale including, but not limited to: ice, snacks, T- shirts, hats, sunglasses, sunscreen, bug repellants, souvenirs, charcoal and other appropriate items which shall be pre-approved, in writing, by the Park Manager.* The Concessionaire operates a gift shop within one of the restaurants. For March 2023, the Concessionaire reported \$426.51 in gross sales and \$282.65 for September 2023. During the site visit we noted, the Concessionaire sold some of the items listed within the Agreement. However, there were no snacks, bug repellants, charcoal, or ice notably for sale.

According to the OM, *The concessionaire will ensure that all merchandise and services offered to the public meet Division standards of quality and are safe and clean.*

Merchandise (t-shirts, caps, beach towels, cups, pins, etc.) should carry the specific park name when possible. For the merchandise that was available, there was minimal park specific options. The OM also states *The Division requires that the concessionaire's displays and shelves present a well-stocked and organized appearance. Stock should be kept in a separate storage area, when possible.* During the site visit, we noted the gift shop did not appear to be open to the public as there was a sign posted which did not allow public access beyond the point required to get to the gift shop. The location of the gift shop was within an enclosed space with a shut door that contained storage boxes of records.

Mobile Cart

During our review, we noted the Concessionaire operated a mobile cart which was not reported within the Monthly Reports. According to the Agreement, *the Concessionaire may provide food and beverage sales via mobile carts. Mobile cart locations and menus will be pre-approved, in writing, by the Department.* We requested the pre-approval documents for the mobile cart, but none were provided. However, the Division did provide a business plan completed in February 2023 for operations of the mobile cart within the Park. According to our review, the mobile cart has been in operation since 2020, and sales are reportedly combined within one of the restaurant's sales journals.

Management Oversight

During the review, we evaluated management oversight of Concessionaire activities in accordance with the Agreement and Park OM such as E-Verify employment verification, sexual offender checks, quarterly evaluations, and taxes. We found Park Management has ensured most documentation is received timely by the Concessionaire and compliance with the Agreement is generally maintained. However, we noted some items which require improvement or additional oversight. These items are as follows:

Taxes Paid on Monthly Commissions

According to the Agreement, *The Concessionaire's revenue is subject to State Use Tax, unless the Concessionaire is exempt from paying tax on commission fees.* According to our review, the Concessionaire is tax exempt. However, the Department entered a total of \$89,585.12 in taxes within the Point of Sale (POS) system from the commission fees collected through the duration of the audit scope. Due to these entry errors, the Department overpaid the Department of Revenue (DOR) for taxes on transactions which were tax exempt.

According to the OM, *the Concessionaire will submit the payment to the [Park Manager] and The [Park Manager] will enter the commission payment into the [POS] system.* Based on our review, the Concessionaire drops the payment off at the Ranger Station and the person working at the Ranger Station processes the payment on the POS system. We determined payments are not submitted to the Park Manager nor are they being entered by the Park Manager as required. During the site visit, the Park Manager noted this process would be corrected to be uniform with the requirements.

Quarterly Evaluations

The OM states in part that *Quarterly Reports are used to assess the concessionaire's performance and facilities and ensure that the terms outlined in the agreement are being*

followed. We reviewed Concessionaire Quarterly Evaluations that were completed during the audit period, the Park Manager documented positive results for most areas regarding the Concessionaire's performance and compliance with the Agreement. However, Park Management noted the Concessionaire was in compliance with the E-Verify Employment Eligibility Verification and that sexual offender checks were completed with copies of files for all personnel. However, our review found that these requirements were not completed as required.

Capital Improvements

According to the Agreement, *The Department shall have 30 days to review and approve the scope of work identified in the final construction documents and ensure all required permits have been obtained.* Based on the review, the Concessionaire provided the project plans to the Department on November 7, 2023. After review by the Department, Notice to Proceed for the project by the Park Manager was provided to the Concessionaire 199 days later. Based on the review, the Department took more than 30 days to provide approval after receipt of the documentation from the Concessionaire.

CONCLUSION

Based on our review, we determined that the reported gross sales during the audit period were generally supported by the Concessionaire's Monthly Reports and point-of-sale documentation. However, we found some inconsistencies with the Concessionaire's General Ledger, bank deposits, and Annual Profit and Loss Statement which required clarification and some corrections. We also noted areas of non-compliance and internal control weaknesses surrounding oversight of events, employee verifications, and offender searches. Our findings and recommendations are listed below.

FINDINGS AND RECOMMENDATIONS

Finding 1: Accounting and Reporting of Gross Sales – The Concessionaire did not maintain documentation to report or account for all sales in accordance with Agreement requirements.

We reviewed all sources of revenue overseen by the Concessionaire, which included 3 restaurants, a gift shop, and special events. The Concessionaire also subcontracts some services for ice cream as well as bike, boat, paddle board, and beach chair rentals. The Concessionaire maintains 4 bank accounts for the oversight of these services. Based on our review, we found the following:

The Agreement defines Total Gross Sales as *all sales of goods, merchandise, food, vending and services generated as a result of the Concessionaire's operations at or associated with the Park.* The Agreement requires that the calculation of Total Gross Sales shall not include tax collections, gratuities, pass through fees including admission fees collected by the Concessionaire on behalf of the Department and events fees collected by the Concessionaire on behalf of the Department, or funds that were collected but have been refunded to the customer.

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Based on our review, the sales reported on the Monthly Reports and the DR-15 Reports were generally consistent. According to the Concessionaire, some deviations noted between the two reports occurred due to input errors or the inclusion of taxes collected when they should have been excluded. However, we found total sales recorded in the General Ledger were over \$1 million more than the amount reported to the Department. Based on documentation from the Concessionaire, the sales recorded in the General Ledger included tips and gratuities which are not included in the DR-15 and Monthly Reports.

Review of Source Documents for March 2023 and September 2023

The Agreement requires the Concessionaire to maintain source documents with daily entries to account for gross sales. We reviewed source documents for the sample months of March 2023 and September 2023 to determine if gross sales are accurately recorded and reported to the Department. Based on our review, the Concessionaire maintained source documents which generally supported the daily amounts recorded in the sales journals used for reporting in the Monthly Reports. However, we noted deposits made to the Concessionaire's bank accounts which were not included in the source documents or sales journals. A summary of these deposits is below.

Date Deposited	Additional Amount Deposited
3/2/2023	\$6,417.44
3/2/2023	\$408.25
3/7/2023	\$2,000.00
3/16/2023	\$295.48
3/27/2023	\$990.91
9/27/2023	\$7,451.07
9/12/2023	\$234.01

The Agreement requires the Concessionaire to maintain records that document any deposits, booking fees, fees charged for organizing the event, fees in arrears, and late fees. Based on our review, we were unable to reconcile whether funds received and deposited during the sample months were for events or if they were accounted for and accurately reported to the Department.

Recommendations:

We recommend the Department ensure the Concessionaire submits all reports required by the Agreement in accordance with Agreement requirements. We also recommend the Department review submitted documentation and confirm reporting is accurate and provided in accordance with the Agreement requirements for reporting of Total Gross Sales.

Management's Response:

The Division concurs with the finding and will work with the Concessionaire to ensure they submit all reports required by the Agreement in accordance with Agreement requirements.

Finding 2: E-Verify Employment Verification and Offender Searches – The Concessionaire did not use E-Verify nor conduct offender searches in accordance with Agreement requirements.

E-Verify Employment Verification

The Agreement states, *The Concessionaire shall use the U.S. Department of Homeland Security's E-Verify Employment Eligibility Verification system to verify the employment eligibility of: a. All persons employed by the Concessionaire, during the term of this Agreement, to perform employment duties within Florida; and, b. All persons (including subcontractors) assigned by the Concessionaire to perform work pursuant to this Agreement.* We requested E-Verify employment eligibility verification for all employees and officers including employees from subcontracted agreements from the Concessionaire. Upon review of the E-Verify case results for the Concessionaire employees, we noted all E-Verify cases were created after our request for the records. Based on the review, the Concessionaire has not been using the E-Verify system to confirm employment eligibility as required by the Agreement. However, during the audit, the Concessionaire completed the E-Verify processes for their employees and subcontractors.

According to the Park OM, *The [Park Manager] will review the E-Verify checks and verify that they are accurate and completed for all employees of the concessionaire prior to their start date.* During the review, it was noted that the Concessionaire had not been completing the E-Verify checks prior to employee start date at the Park but completed the processes during the audit. When we asked the Park Manager about their oversight of the Concessionaire's E-Verify checks, the Park Manager stated he has never completed this type of oversight and was unaware this was a requirement.

Sexual Offender Search

The Agreement states, *The Concessionaire will not employ within the Park any person who is listed on either the sexual predator or sexual offender list maintained by the Florida Department of Law Enforcement ("FDLE") or maintained by the U.S. Department of Justice's Dru Sjodin National Sex Offender Public Website ("NSOPW")...The Concessionaire will conduct a sexual predator and sexual offender investigation on all employees and subcontractors hired subsequent to execution of this Agreement. The Concessionaire will keep a copy of its investigation records in the Concessionaire's personnel files and have those files available to the Department during the Concessionaire's regular office hours.* During our review, we requested sexual predator and offender searches for all employees and officers including employees from subcontracted agreements. We were provided the FDLE offender searches for the employees and subcontractors identified by the Concessionaire. However, we were not provided any NSOPW searches for employees or subcontractors.

Recommendations:

We recommend the Department ensures the Concessionaire complies with requirements for E-Verify employment verification and sexual offender searches prior to employees and subcontractors working in the Park.

Management's Response:

The Division concurs with the finding and will work with the Concessionaire to ensure they comply with requirements for E-Verify employment verification and sexual offender searches prior to employees and subcontractors working in the Park.

Finding 3: Minimum Accounting and Operational Requirements – The Concessionaire did not always comply with requirements of the Agreement.

Based on our review, the Concessionaire has generally maintained compliance with many areas of the Agreement. However, we noted some minimum accounting and operational requirements which were not met or could be improved. A summary of our review is below.

Events

The Agreement states the Concessionaire shall *Obtain pre-approval, in writing, by the Park Manager for the type of Event, location, date, time and duration for all Events*. The Concessionaire provided documentation for 26 events held during the audit. Based on our review there were 8 events which did not include written pre-approval by the Park Manager.

According to the Agreement, *The Concessionaire shall provide the Park Manager copies of all contracts which document, monthly, each Event contract booked and organized in the Park by the Concessionaire. The copies shall be submitted with the Monthly Report of Gross Sales, and shall support the subcontract and contract revenue reported on the Monthly Report of Gross Sales*. We reviewed the Monthly Reports for event contracts but there were no event contracts included with the Monthly Reports which supported sales for events. We also requested event contracts from the Park Manager and the Concessionaire. The Park Manager and Concessionaire were unable to provide copies for some of the contracts.

According to the Agreement, *The Concessionaire shall collect a wedding/special event fee according to a fee schedule as determined by the Department. The Concessionaire shall collect and pass through the applicable wedding/special event fee directly to the Park for deposit*. The Park provided their event permit which includes the fee schedule for after-hours event for \$500. We reviewed the Concessionaire's event permits which included 21 after-hour events. Based on a review of the documents, the Concessionaire charges event fees between \$500 and \$6,000 but only for the Concessionaire's collection and not as a pass-through fee directly to the Park for deposit. This was further confirmed by the Park Manager. According to the Concessionaire and some event documentation, the event fee was *Paid via Monthly Report*. However, no additional payments for event fees were noted on this report and the Agreement states that *Total Gross Sales shall not include... events fees collected by the Concessionaire on behalf of the Department*. Our review found, the Concessionaire is not collecting, passing through, nor accounting for event fees in accordance with the Agreement.

Recreational Rentals

According to the Agreement, the *Concessionaire shall provide an employee to work at each recreational equipment rental operation until all visitors have returned from their excursions or have been accounted for.* During our site visit, recreational point of sale was staffed while in use. However, the paddle board rentals were based on the usage of an app, and though no recreational items were in use, it does not appear it is staffed by an employee at any time.

Merchandise Resale

The Agreement states the *Concessionaire shall provide the following items for resale including, but not limited to: ice, snacks, T- shirts, hats, sunglasses, sunscreen, bug repellants, souvenirs, charcoal and other appropriate items which shall be pre-approved, in writing, by the Park Manager.* The Concessionaire operates a gift shop within one of the restaurants. For March 2023, the Concessionaire reported \$426.51 in Total Gross Sales and \$282.65 for September 2023. During the site visit we noted, the Concessionaire sold some of the items listed within the Agreement. However, there were no snacks, bug repellants, charcoal, or ice notably for sale. Moreover, the gift shop did not appear to be open to the public as there was a sign posted which did not allow public access beyond the point required to get to the gift shop. The location of the gift shop was within a closed space for storage and contained storage boxes of records.

Mobile Cart

During our review, we noted the Concessionaire operated a mobile cart which was not reported within the Monthly Reports. According to the Agreement, *the Concessionaire may provide food and beverage sales via mobile carts. Mobile cart locations and menus will be pre-approved, in writing, by the Department.* We requested the pre-approval documents for the mobile cart, but none were provided. However, the Department did provide a business plan completed in February 2023 for operations of the mobile cart within the Park. According to our review, the mobile cart has been in operation since 2020, and sales are reportedly combined within one of the restaurant's sales journals.

Security

The Agreement required the Concessionaire to post with the Department, a security in the amount of \$155,000 to assure compliance with this Agreement and serve as liquidated damages in the event the Concessionaire defaults on the Agreement. Based on the review, the Concessionaire provided and maintained a security in the amount of \$40,000 with the Department as the Beneficiary. During the audit, the Concessionaire provided additional certificate of deposit account documents in the amount of \$32,015.45, \$21,337.72, and \$102,901.88 that included accrued interest. According to the Agreement, the Concessionaire may establish a deposit account that is administered by the Department, but no interest shall be payable on deposited funds. Our review found these accounts were not filed with the Department as a security and included interest paid on deposited funds.

The Agreement requires the amount of the Security to be re-assessed by the Park Manager on an annual basis, as the total gross sales are submitted by the Concessionaire in the Concessionaire's Annual Profit and Loss Statement, and, upon any renewal, extension, modification, or amendment to this Agreement. The OM adds that the security is typically calculated as 4% of the Concessionaire's annual gross sales.

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Based on our review, the Concessionaire's annual gross sales have reportedly increased each calendar year, but the security has not been increased to assure compliance with the Agreement.

Recommendations:

We recommend the Department ensure the Concessionaire provides all supporting documentation for events held by the Concessionaire. We also recommend the Department review events held by the Concessionaire and determine if pass-through event fees are due to the Department based on the Department's fee schedule. We recommend the Park Manager provide written approval for all events held by the Concessionaire. We recommend the Concessionaire ensure all recreational rental areas are staffed by an employee in accordance with the Agreement requirements. We also recommend the Concessionaire provide all resale merchandise in accordance with the Agreement to be clearly available for purchase by Park visitors. We recommend the Division ensure the Concessionaire provides a security in accordance with Agreement requirements. Lastly, we recommend the Department ensures the Concessionaire does not provide new points of sale for food or merchandise without prior pre-approval by the Department.

Management's Response:

The Division concurs with the finding and will work with the Concessionaire to ensure they comply with minimum accounting and operational requirements.

Finding 4: Taxes Paid on Exempt Commission Payments – Management did not always ensure the Concessionaire's commission payments were processed as tax-exempt as required.

Taxes Paid on Monthly Commissions

According to the Agreement, *The Concessionaire's revenue is subject to State Use Tax, unless the Concessionaire is exempt from paying tax on commission fees.* According to our review, the Concessionaire is tax exempt. However, the Department entered a total of \$89,585.12 in taxes within the Point of Sale (POS) system from the commission fees collected through the duration of the audit scope. Due to these entry errors, the Department overpaid the DOR for taxes on transactions which were tax exempt.

According to the OM, *the Concessionaire will submit the payment to the [Park Manager] and The [Park Manager] will enter the commission payment into the [POS] system.* Based on our review, the Concessionaire drops the payment off at the Ranger Station and the person working at the Ranger Station processes the payment on the POS system. We determined payments are not submitted to the Park Manager nor are they being entered by the Park Manager as required. During the site visit, the Park Manager noted this process would be corrected to be uniform with the requirements.

Recommendations:

We recommend the Park Manager ensures monthly commission payments are received and processed in accordance with Agreement and OM requirements. We also recommend the Division work with the Bureau of Finance and Accounting to seek reimbursement from the DOR for taxes paid on tax exempt transactions.

Management's Response:

The Division concurs with the finding and will work with the Park Manager to ensure monthly commission payments are received and processed in accordance with Agreement and OM requirements. We will also work with the Bureau of Finance Accounting to seek reimbursement from the DOR for taxes paid on tax exempt transactions.

STATEMENT OF ACCORDANCE

Statement of Accordance

The Mission of the OIG is to promote accountability, integrity, and efficiency by providing quality audits, investigations, management reviews, and technical assistance.

This work product was prepared pursuant to § 20.055, Florida Statutes, in accordance with the *Principles and Standards for Offices of Inspectors General* as published by the Association of Inspectors General and the *International Standards for the Professional Practice of Internal Auditing*, as published by the Institute of Internal Auditors, Inc. The audit was conducted by Tessa Jordan and supervised by Susan Cureton.

This report and other reports prepared by the OIG can be obtained through the Department's website at <https://floridadep.gov/oig> or by contacting:

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